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No. 79-669

In the Supreme Court of the United States

OCTOBER TERM, 1979

DAWSON CHEMICAL COMPANY, ET AL., PETITIONERS

v.

ROHM AND HAAS COMPANY

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE

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The United States has an interest in the proper scope of the monopolies granted by the patent laws. The doctrine of patent misuse, at issue in this case, prohibits the extension by a patent holder of his statutory monopoly. The doctrine thus serves as a first line of defense for competition also protected by the antitrust laws. Cf. *Gulf States Utilities Co.* v. *FPC*, 411 U.S. 747, 760 (1973). The United States, as principal enforcer of the antitrust laws, is particularly concerned that this first line of defense be properly maintained.

QUESTION PRESENTED

Whether Congress in enacting 35 U.S.C. 271 intended to eliminate the doctrine of patent misuse in the situation where the holder of a process patent uses his patent to eliminate competition in unpatented articles that have no substantial use except in the patented process.

STATEMENT

Rohm and Haas Company holds a patent for a method of killing weeds in rice fields. The method uses the chemical propanil, an unpatented substance that has no substantial use except in the patented process. Rohm and Haas neither practices nor directly licenses its process. Instead, it produces and sells propanil in packages whose labeling explains use of the process, thus impliedly licensing it. Petitioners also sell propanil to farmers with instructions on their packages about how to use it in the Rohm and Haas process.

Rohm and Haas sued petitioners for contributory infringement of its patent. Petitioners in turn claimed that Rohm and Haas' refusal to grant licenses except to those who bought unpatented propanil from it was patent misuse that barred recovery.[1]

The district court held that, whether or not petitioners had contributorily infringed the patent, Rohm and Haas was not entitled to relief because its tying of unpatented propanil to the patented process was patent misuse as defined by this Court's decisions culminating in *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U.S. 661 (1944), and *Mercoid Corp.* v. *Minneapolis-Honeywell Regulator Co.*, 320 U.S. 680 (1944) (Pet. App. A-80). It further held that Section 271(c) and (d) of the Patent Code, 35 U.S.C. 271(c) and (d), though intended to disapprove certain dicta in the *Mercoid* decisions, did not shelter Rohm and Haas' conduct (Pet. App. A-61 to A-78). It dismissed the complaint (Pet. App. A-102).

On appeal, the court of appeals reversed. It held that Section 271(c) and (d) eliminated the defense of patent misuse so as to allow a patent holder to recover for

[1]Petitioners had requested licenses.

contributory infringement even though he has tied to his patented process an unpatented article useful only in the patented process (Pet. App. A-30 to A-42).[2]

DISCUSSION

1. The Decision Below Will Have Important Anticompetitive Effects.

The doctrine of patent misuse bars a patentee's suit for patent infringement when the patentee has attempted to exploit its patent beyond the confines of the patent grant (*Morton Salt Co.* v. *G.S. Suppiger Co.*, 314 U.S. 488 (1942)). The doctrine is thus an effective means of confining the scope of the patent grant (see *Carbice Corp.* v. *American Patents Development Corp.*, 283 U.S. 27 (1931)). This case presents the question of the applicability of that doctrine to a patentee who refuses to license sellers of unpatented materials which have no commercial uses other than in the patented process. That question is of significant commercial importance in the chemical and pharmaceutical industries, where such unpatented materials are used in large quantities. Government investigations of possible antitrust violations in these industries suggest that it is not uncommon for major manufacturers holding process patents to offer licenses at reasonable royalties to competing sellers of unpatented products to be used in the patented process, due to a concern that efforts to protect their patent rights will otherwise be barred by the doctrine of patent misuse. The decision of the court of appeals in this case substantially diminishes that concern, and thus will encourage the refusal to license competing sellers, with a

[2]Although petitioners filed a counterclaim alleging that respondents had violated the antitrust laws, neither court ruled on the counterclaim, and it is not before this Court.

resulting substantial adverse impact on competition (which may withstand correction for a substantial time due to the expense of litigation in this field).[3]

2. The Decision Below Is Incorrect.

This Court long ago held that it is patent misuse for a patent holder to extend the patent monopoly to unpatented materials, even if those materials have no practical use except in connection with the practice of the patent. See, *e.g.*, *Mercoid Corp.* v. *Mid-Continent Investment Co.*, *supra*; *Mercoid Corp.* v. *Minneapolis-Honeywell Regulator Co.*, *supra*; *Morton Salt Co.* v. *G.S. Suppiger Co.*, *supra*; *B.B. Chemical Co.* v. *Ellis*, 314 U.S. 495 (1942). Respondent plainly engaged in patent misuse under those decisions. It can avoid their force only if Section 271 of the Patent Code overruled those decisions so as to abolish the doctrine of patent misuse in cases like this. This Court in *Deepsouth Packing Co.* v. *Laitram Corp.*, 406 U.S. 518 (1972), held that Section 271 must be interpreted "in light of this Nation's historical antipathy to monopoly and of repeated congressional efforts to preserve and foster competition." *Id.* at 530 (footnote omitted). Thus Section 271 cannot be read as abolishing the patent misuse defense to respondent's anticompetitive conduct unless there is "a clear and certain signal from Congress" that

[3]That adverse impact will be felt immediately; it is accordingly appropriate for this Court to consider the issue now, rather than after a final decision on the merits in this case. It is unlikely, in any event, that the proceedings on the remand ordered by the court of appeals will further illuminate the issue here involved. Instead, the court of appeals' decision that respondent's refusal to license others to compete in the sales of propanil is not patent misuse may well complicate the litigation of petitioner's antitrust claim (see Pet. App. A-48).

this was its intention. *Id.* at 531; cf. *Parker* v. *Flook*, 437 U.S. 584, 596 (1978). The court of appeals lost sight of this governing standard. Properly analyzed, Section 271 is far less than "a clear and certain signal" of intent to eliminate the patent misuse defense in this type of case.

a. The plain language of Section 271 does not eliminate the doctrine of patent misuse where the patentee ties a patent license to purchase of an unpatented product that is useful only in connection with the patented invention. Indeed, the court of appeals itself found the text less than compelling (Pet. App. A-10). Section 271(d) is the only provision that deals with the patent misuse defense: it lists three acts which by themselves shall not be deemed to constitute patent misuse. Subsection (1) of Section 271(d) permits the patentee to sell unpatented components of his invention; subsection (2) permits the patentee to license the seller of such a component; and subsection (3) permits the patentee to bring a contributory infringement suit, all without misusing the patent. Nothing in Section 271(d), however, authorizes the patentee to tie a grant of a license under the patent to the purchase of the unpatented product from the patentee. Yet it is the sale of the unpatented product by the patentee combined with the refusal to offer reasonable royalty licenses under the patent that constitutes the misuse herein. See *Mercoid Corp.* v. *Mid-Continent Investment Co.*, *supra*, 320 U.S. at 671; *Morton Salt Co.* v. *G.S. Suppiger Co.*, *supra*, 314 U.S. at 491; *B.B. Chemical Co.* v. *Ellis*, *supra*.

b. The legislative history does not provide the certainty that the words of the statute lack. As the opinions below make apparent, the legislative history of

Section 271 is ambiguous.[4] Moreover, while this Court has never considered the precise issue involved here, it did analyze the legislative history of Section 271 in *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476 (1964), and the court of appeals acknowledges that the opinions in that case "probably cut against" its interpretation (Pet. App. A-46).

c. As the court of appeals also recognized (Pet. App. A-43 n.27), allowance of the patent misuse defense in situations like this would harmonize patent and antitrust policies in a salutary way. Allowance of the defense permits the patentee to benefit from his invention both through the sale of the nonstaple article and through the receipt of reasonable royalties on his patent; it also permits him in appropriate circumstances to enforce his patent against a party that is not directly infringing but only contributing to infringement. At the same time, recognition of the defense benefits the public by allowing the competitive process to operate in the market for the unpatented product. This competition provides an additional incentive for firms to find more efficient means of production and distribution, and an incentive to find new applications for the unpatented product.[5]

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[4]The district court relied primarily on comments in debate on the Senate floor by Senators responsible for the legislation (Pet. App. A-66), while the court of appeals relied primarily on comments of two witnesses who testified before the relevant congressional subcommittees (Pet. App. A-33 to A-38). Under traditional canons of construction, the Senators' views carry more weight. *McCaughn* v. *Hershey Chocolate Co.*, 283 U.S. 488, 493-494 (1931).

[5]In addition, recognition of the defense in situations like the instant one tends to limit the benefit of the patent to the statutory term, since the licensed sellers are likely to be in an advantageous position to utilize the patented process when the patent expires.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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